



Louisville Metro Facility Needs Study

Louisville Metro Council - Internal DRAFT for Discussion Only

May 1, 2018



AGENDA

- **Renovate or Build New?**
- **Financing and Delivery Options?**
- **What to Build?**
- **Budget Committee Questions**



FACILITY NEEDS STUDY

- **Facilities Condition Assessment**
- **Space Planning Assessment**
- **Property Market Study**
- **Building Options**
- **Preliminary Cost Opinion**
- **Public Private Partnerships**
- **Conclusions and Recommendations**



RENOVATE OR BUILD NEW



RENOVATE or BUILD NEW – FACILITIES CONDITION ASSESSMENT



LMPD Headquarters

- Floor Slab Stress Cracks
- Repair or Replace Exterior Envelope
- Repair or Replace all Building Systems
- Numerous Building Code, Life-Safety and Accessibility Violations
- Overflow Jail Violates many CAC and ACA Standards
- Renovation Requires Temporary Swing Space
- Renovation Cost Opinion of \$30,240,000

Recommendation:

Demolish Existing Building and Replace with New Construction



RENOVATE or BUILD NEW – FACILITIES CONDITION ASSESSMENT



Fiscal Court Building

- Local Landmark. Exterior Modification Requires COA Issued by ARC
- Inefficient Building Floor Plate of 6,800 SF per Floor
- Repair or Replace Exterior Envelope – Masonry Veneer Delaminating
- Repair or Replace all Building Systems
- Numerous Building Code, Life-Safety and Accessibility Violations
- Renovation Requires Temporary Swing Space
- Renovation Cost Opinion of \$32,865,000

Recommendation:

Demolish Existing Building and Replace with New Construction

Request COA from ARC to Demolish Building

FINANCING AND DELIVERY OPTIONS

Public Private Partnership “P3”

- 100% Construction Risk with financial penalties for delay
- Competitive Market Based Price based on Build-to-Suite Design
- Responsible for turnkey development and delivery
- Responsible for Louisville Metro Government backed bond issue
- Responsible for all Development Costs, including legal, financing and architectural
- Motivated to complete project on time and on budget, 100% of risk absorbed
- Required to allocate Capital Reserve Funds for long term financial health of asset
- Financial gain is made on Development Fee by delivering project on time and on budget, not through long term ownership of asset



Beneficial Owner
Louisville Metro, not Developer

Louisville Metro Government

Zero Construction Risk

No Government resources used for building development

Benefit from competitive market pricing

Same credit and cost as self-developed project

Typically shorter timeline to completion

Long term financial health of asset



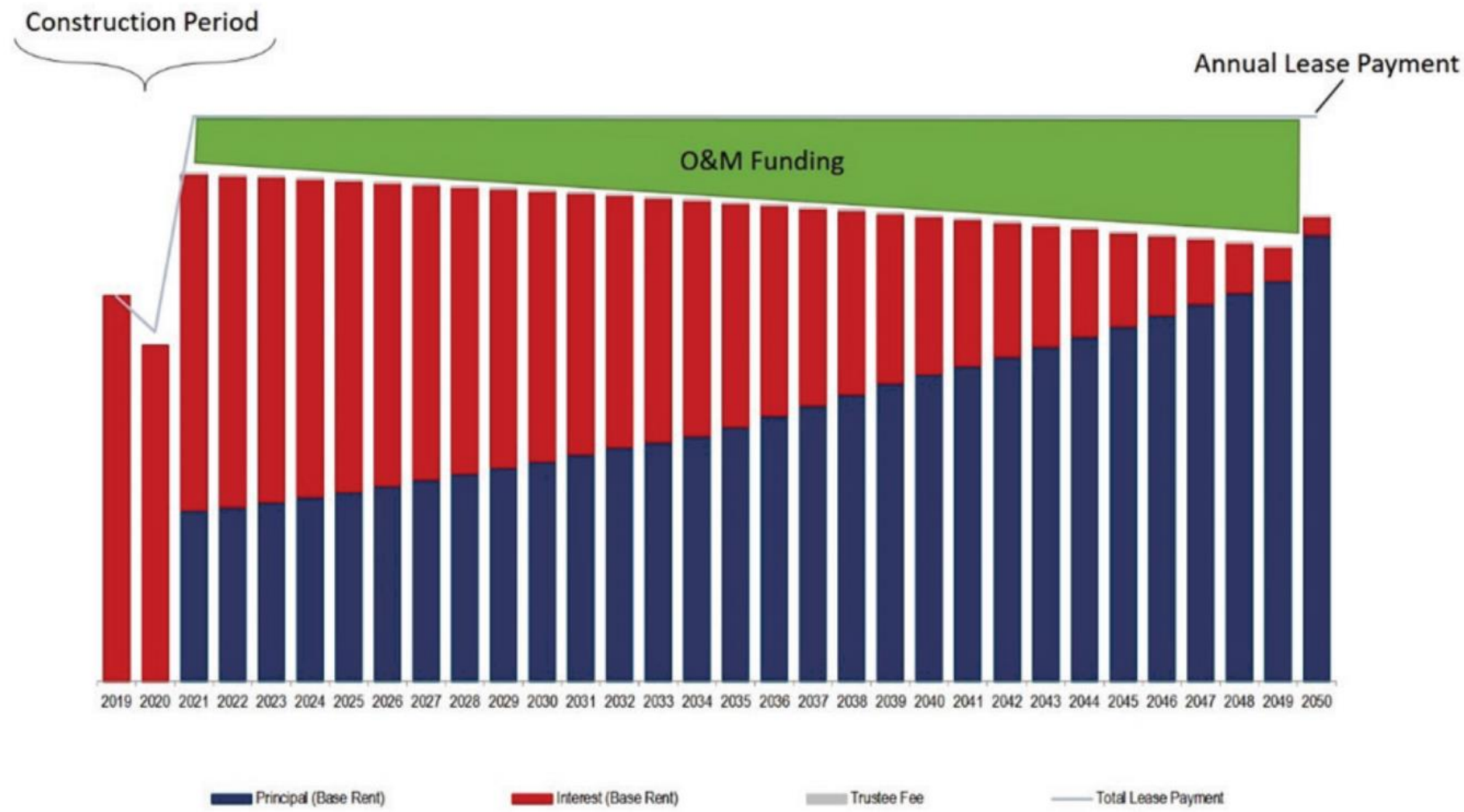
FINANCING AND DELIVERY OPTIONS

P3 FINANCIAL STRUCTURE - DEBT FINANCING

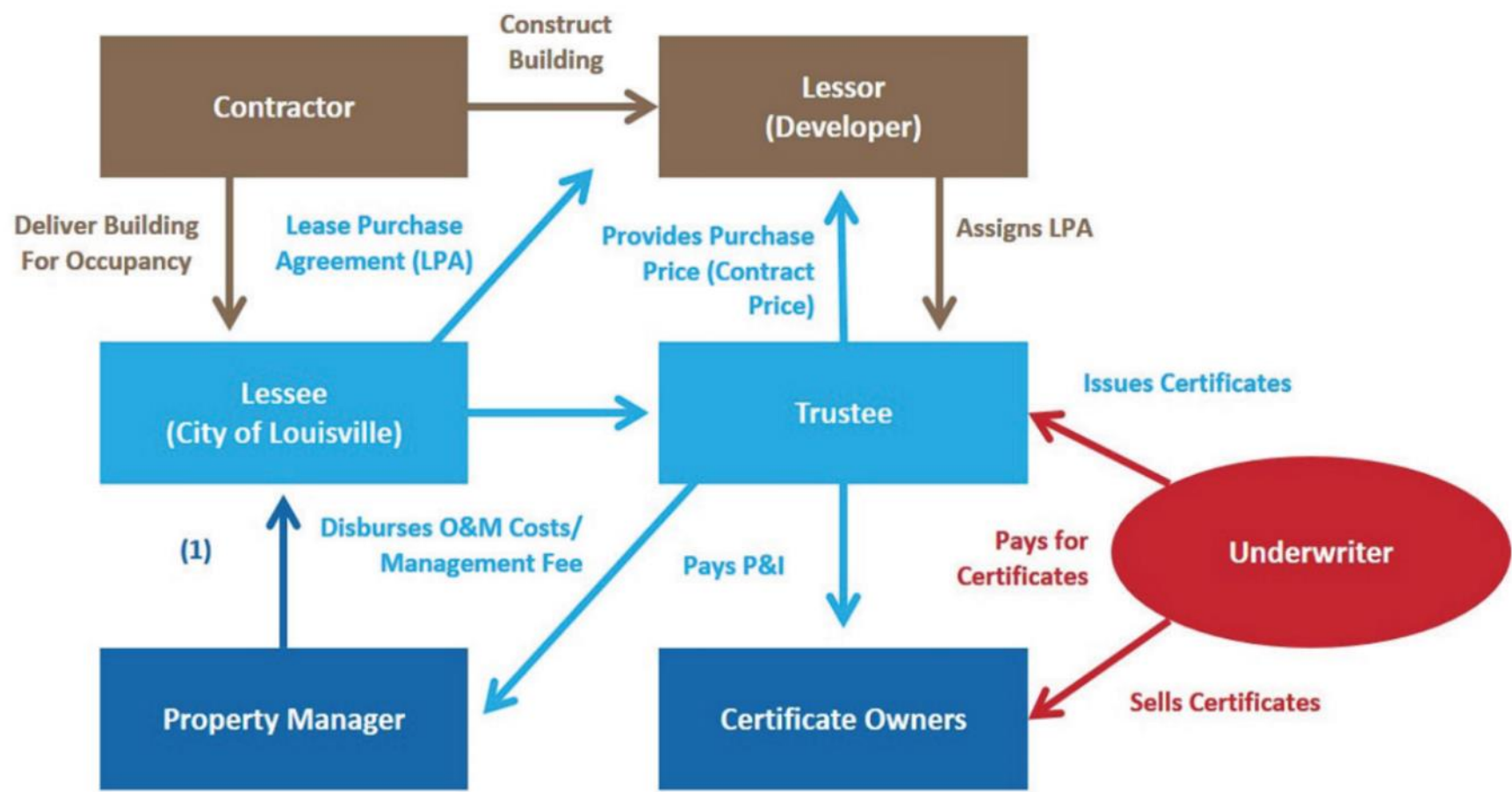
- **COPS – Certificates of Participation**
 - Investment in the LEASE document (30 to 35 years)
 - Capital assets are unencumbered
- **Private Sector up-front Capital/Risk**
- **Public Sector – Beneficial Owner – Life of the lease**
- **Reversion of property at end of lease term**
- **Rate dependent on credit rating of Lessee**
- **O&M budget as part of the fixed lease payment**
 - Structured w/ automatic % increases plus capital contributions
 - O&M dollars are held by the Bond Trustee
 - Eliminates deferred maintenance issues from the City
 - Ability to create a Tenant Improvement Fund
- **Qualified Management Contract (30 to 35 years)**
- **Termination of the lease equates to prepayment of the bonds**



FINANCING AND DELIVERY OPTIONS



FINANCING AND DELIVERY OPTIONS



(1) 30 YR Qualified Management Agreement (Fixed Fee). Manager maintains and repairs building.



FINANCING AND DELIVERY OPTIONS

Annual O&M Budget		
	O&M	Total O&M
Closing	\$750,000.00	
Construction		
Construction		
Construction		\$500,000.00
Year 1		\$515,000.00
Year 2		\$530,450.00
Year 3		\$546,363.50
Year 4		\$562,754.41
Year 5		\$579,637.04
Year 6		\$597,026.15
Year 7		\$614,936.93
Year 8		\$633,385.04
Year 9		\$652,386.59
Year 10		\$671,958.19
Year 11		\$692,116.94
Year 12		\$712,880.44
Year 13		\$734,266.86
Year 14		\$756,294.86
Year 15		\$778,983.71
Year 16		\$802,353.22
Year 17		\$826,423.82
Year 18		\$851,216.53
Year 19		\$876,753.03
Year 20		\$903,055.62
Year 21		\$930,147.29
Year 22		\$958,051.70
Year 23		\$986,793.26
Year 24		\$1,016,397.05
Year 25		\$1,046,888.96
Year 26		\$1,078,295.63
Year 27		\$1,110,644.50
Year 28		\$1,143,963.84
Year 29		\$1,178,282.75
Year 30		\$1,213,631.24
		\$25,751,339.09

Capital Reserve Account Contribution			
State FY End	Begin Bal	Deposit	End Bal
Construction	\$750,000.00		\$750,000.00
Construction	\$750,000.00		\$750,000.00
Construction	\$750,000.00	\$40,000.00	\$790,000.00
Year 1	\$790,000.00	\$41,200.00	\$831,200.00
Year 2	\$831,200.00	\$42,436.00	\$873,636.00
Year 3	\$873,636.00	\$43,709.08	\$917,345.08
Year 4	\$917,345.08	\$45,020.35	\$962,365.43
Year 5	\$962,365.43	\$46,370.96	\$1,008,736.40
Year 6	\$1,008,736.40	\$47,762.09	\$1,056,498.49
Year 7	\$1,056,498.49	\$49,194.95	\$1,105,693.44
Year 8	\$1,105,693.44	\$50,670.80	\$1,156,364.25
Year 9	\$1,156,364.25	\$52,190.93	\$1,208,555.17
Year 10	\$1,208,555.17	\$53,756.66	\$1,262,311.83
Year 11	\$1,262,311.83	\$55,369.35	\$1,317,681.18
Year 12	\$1,317,681.18	\$57,030.44	\$1,374,711.62
Year 13	\$1,374,711.62	\$58,741.35	\$1,433,452.97
Year 14	\$1,433,452.97	\$60,503.59	\$1,493,956.56
Year 15	\$1,493,956.56	\$62,318.70	\$1,556,275.25
Year 16	\$1,556,275.25	\$64,188.26	\$1,620,463.51
Year 17	\$1,620,463.51	\$66,113.91	\$1,686,577.41
Year 18	\$1,686,577.41	\$68,097.32	\$1,754,674.74
Year 19	\$1,754,674.74	\$70,140.24	\$1,824,814.98
Year 20	\$1,824,814.98	\$72,244.45	\$1,897,059.43
Year 21	\$1,897,059.43	\$74,411.78	\$1,971,471.21
Year 22	\$1,971,471.21	\$76,644.14	\$2,048,115.35
Year 23	\$2,048,115.35	\$78,943.46	\$2,127,058.81
Year 24	\$2,127,058.81	\$81,311.76	\$2,208,370.57
Year 25	\$2,208,370.57	\$83,751.12	\$2,292,121.69
Year 26	\$2,292,121.69	\$86,263.65	\$2,378,385.34
Year 27	\$2,378,385.34	\$88,851.56	\$2,467,236.90
Year 28	\$2,467,236.90	\$91,517.11	\$2,558,754.01
Year 29	\$2,558,754.01	\$94,262.62	\$2,653,016.63
Year 30	\$2,653,016.63	\$97,090.50	\$2,750,107.13



FINANCING AND DELIVERY OPTIONS

For illustrative purposes, the following analysis compares four different scenarios for Louisville Metro P3 project. The analysis compares three alternative scenarios against the existing facilities. This analysis assumes the following:

- Market conditions as of April 13, 2018 with a Aa2 Rating
- Prefunding of the O&M Fund of \$750,000
- 30-year lease post completion
- P&I is structured around O&M for annual equal payments
- O&M escalates at 3% per annum to account for inflation
- 24-month construction period

1. Existing Building assumes a GO Bond is used to cover existing deferred maintenance
2. O&M does not include utilities and janitorial
3. Analysis includes only governmental portion, retail would be privately sourced

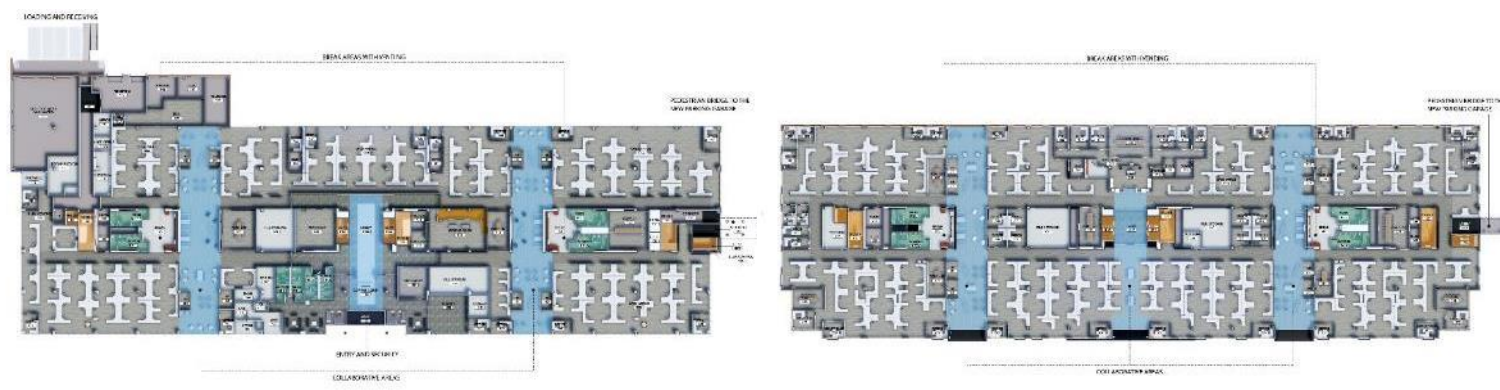
	Existing	Renovation	115,690 GSF	200,000 GSF ⁴	Parking
Square Feet	210K	210K	115K	200K	600 spaces
Total Project Cost ¹	\$ 34.8M	\$ 63.1M	\$ 26.4M	\$ 44.6M	\$ 20.3M
New Construction Contingency			\$ 2.6M	\$ 4.5M	\$ 2M
P&I Payment	\$ 2.3 - \$ 2.7	\$ 4.8 - \$ 5.2	\$ 2.1M - \$ 2.5M	\$ 5.1 - \$ 5.5	
O&M ²	\$ 800K	\$ 800K	\$ 500K	\$ 900K	
Total Annual Lease Payment	\$ 3.1M - \$ 3.5M	\$ 5.6M - \$ 6M	\$ 2.6M - \$ 3M	\$ 6M - \$ 6.4M	
Prefunded Capital Reserve		\$ 750K	\$ 750K	\$ 750K	
Capital Reserve Contribution Annually		\$ 70K	\$ 40K	\$ 190K	



PUBLIC PRIVATE PARTNERSHIP – 300 BUILDING



PUBLIC PRIVATE PARTNERSHIP – CAPITAL PLAZA OFFICE



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PUBLIC PRIVATE PARTNERSHIP – CAPITAL PLAZA OFFICE



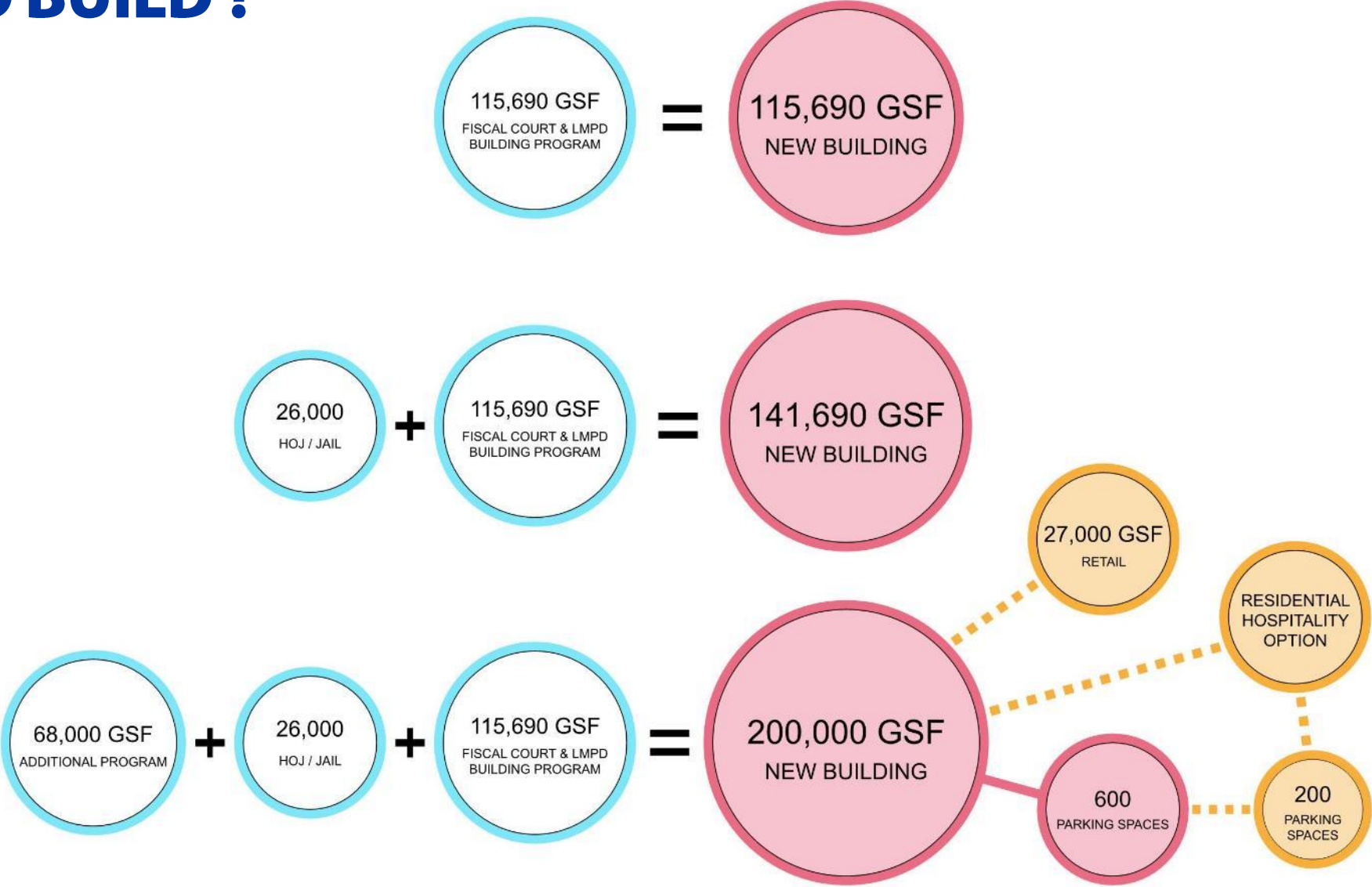
PUBLIC PRIVATE PARTNERSHIP - LEXINGTON GOVERNMENT CENTER



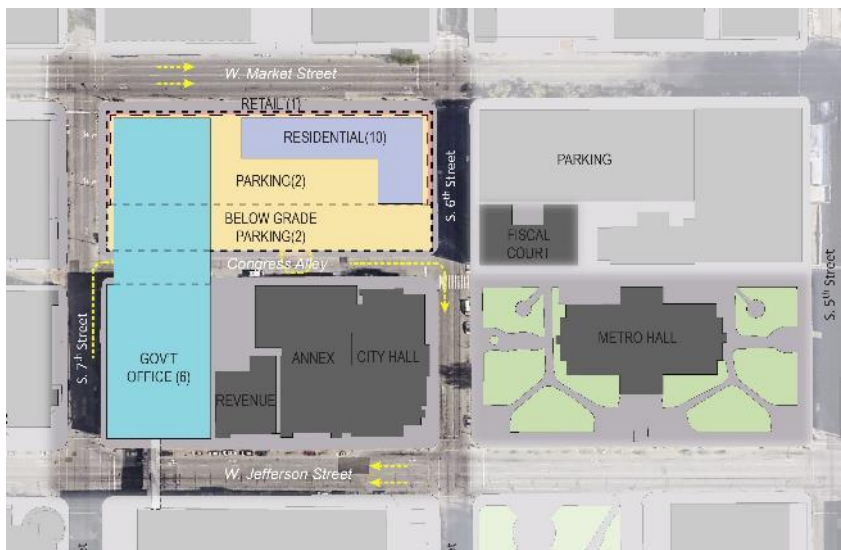
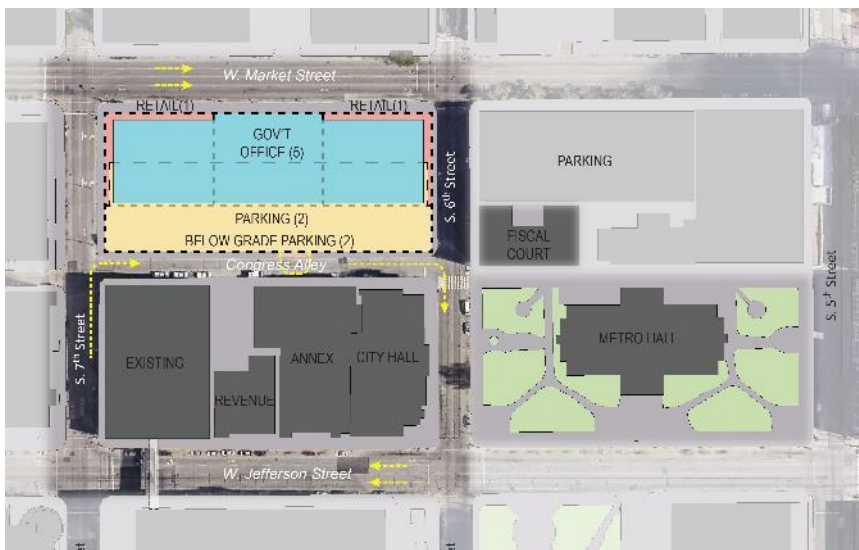
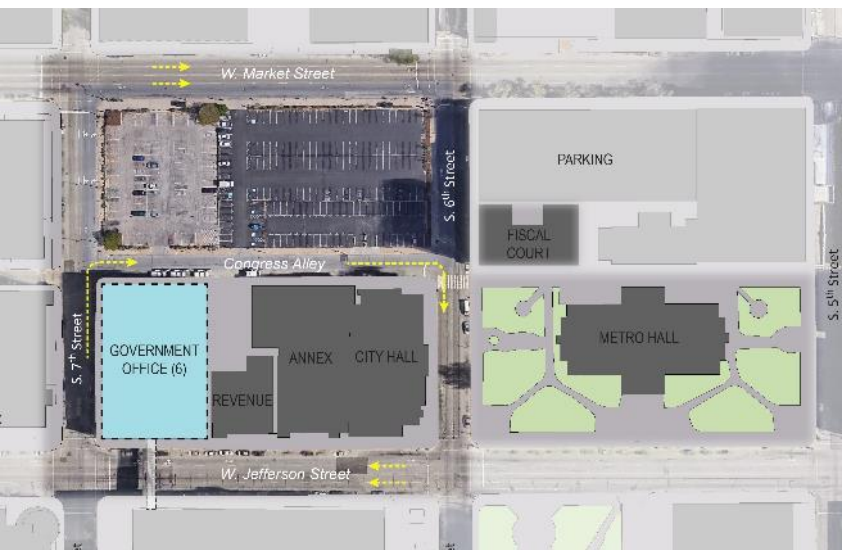
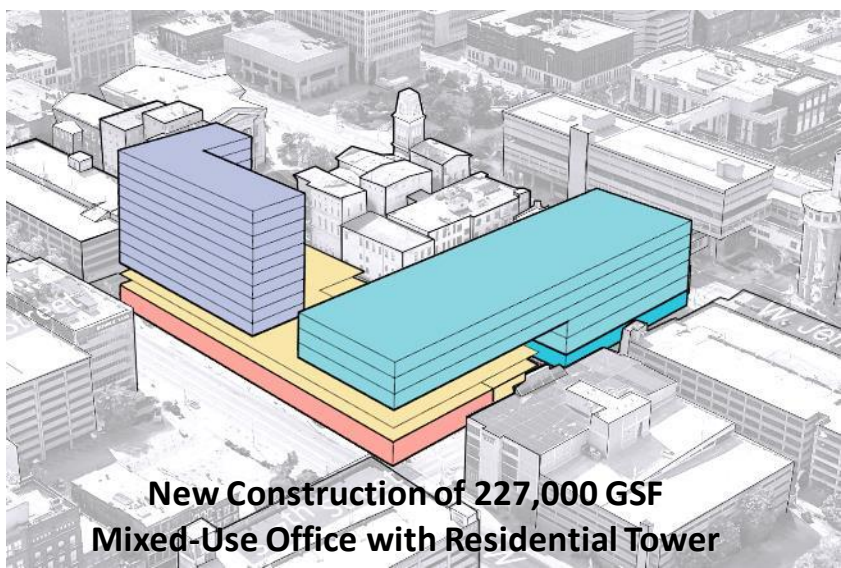
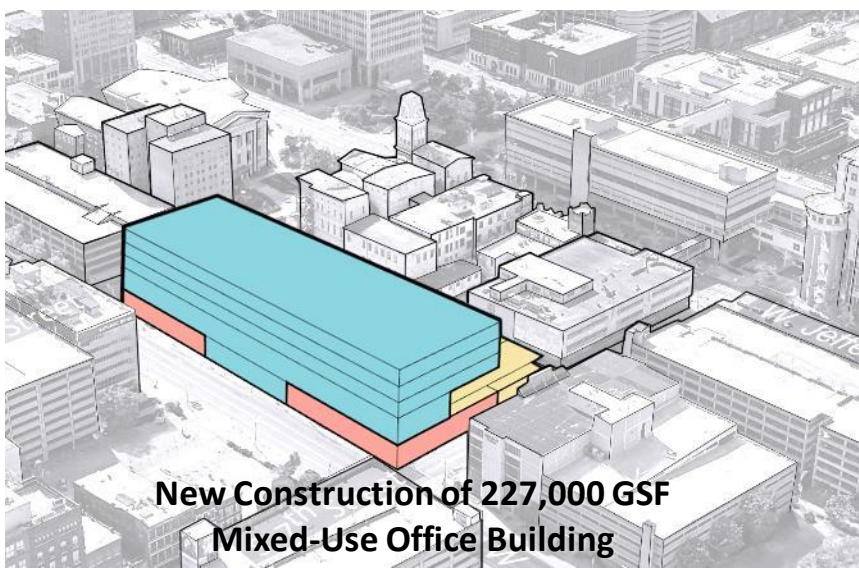
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WHAT TO BUILD ?



WHAT TO BUILD ?



QUESTIONS?



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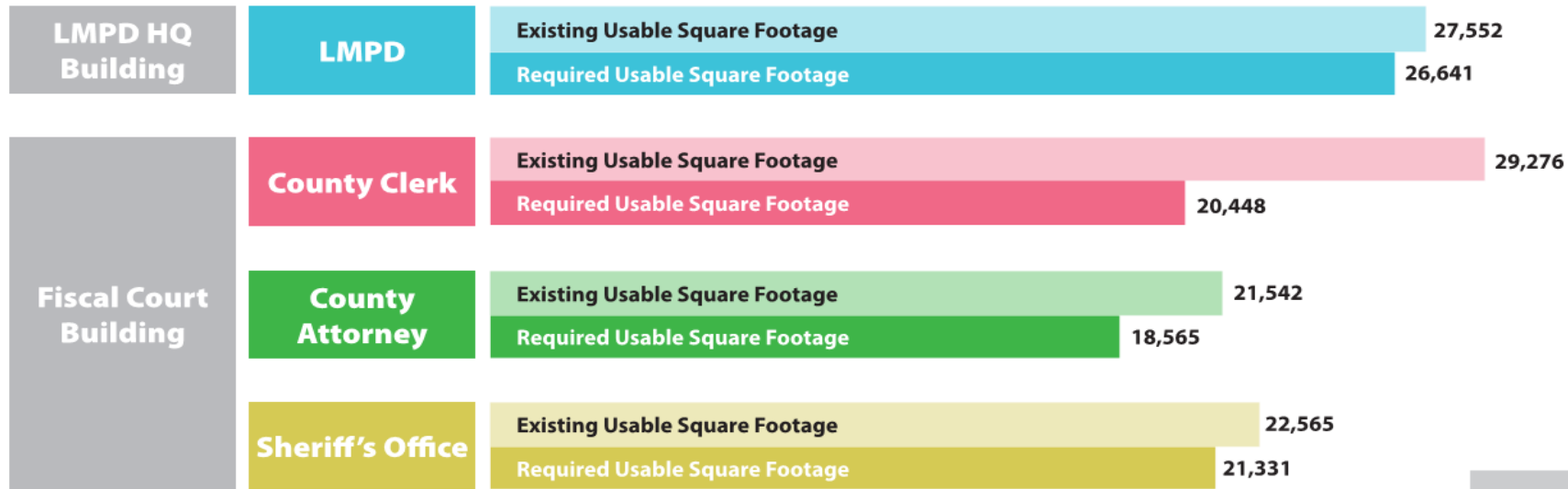
Following slides for use if necessary to respond to questions
about program square footage or preliminary cost opinions



SPACE REQUIREMENT NEEDS

Assessment Summary — Metro Government

Required SF vs. Existing SF



AGENCY	REQUIRED USABLE SF	EXISTING USABLE SF	DELTA SF
LMPD	26,641 USF	27,552 USF	911 USF
Corrections	0	6,231 USF	6,231 USF
Support Bureau—Forensic Investigation (CSU)	0	15,697 USF	15,697 USF
Support Bureau—Robbery / Financial Crimes Unit	0	12,555 USF	12,555 USF
Vacant	0	2,405 USF	2,405 USF
Common	0	20,072 USF	20,072 USF
County Clerk	20,448 USF	29,276 USF	8,828 USF
County Attorney	18,565 USF	21,542 USF	2,977 USF
Sheriff's Office	21,331 USF	22,565 USF	1,234 USF
Subtotals	86,985 USF	100,935 USF	13,950 USF
GSF Total	115,690 GSF	210,000 GSF	

Important Primary Finding

During the programming analysis process, there was one item that became very clear. Due to the inefficiencies associated with the existing Fiscal Court Building and Louisville Metro Police Department Headquarters Building, the agencies are currently occupying much more square footage than is actually required to support their operations. Included on this page is a breakout of the occupiable square footage that is currently being used versus the actual occupiable square footage required as defined by the programming process.

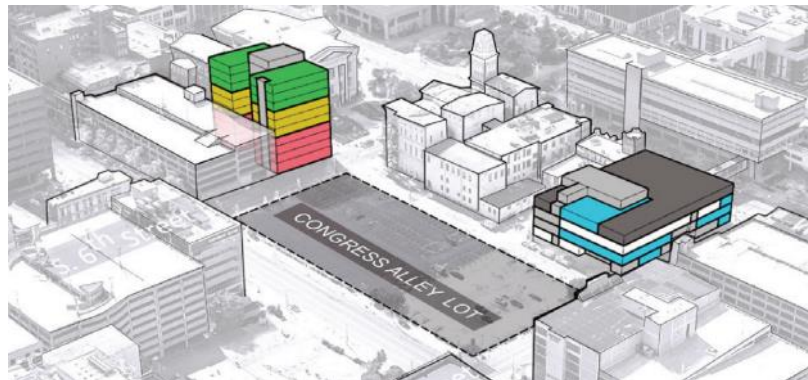
Total Gross Building Area Usable Area x 1.33 = Gross Area



PRELIMINARY COST OPINION - RENOVATION

Renovation Preliminary Cost Opinion — LMPD

Renovation of LMPD Headquarters (100,800 SF)	
Hazmat Abatement (unknown)	\$ 100,000
Architectural	\$ 16,044,000
Structural	\$ 1,500,000
MEP/FP/IT	\$ 7,056,000
Site/Civil	\$ 500,000
Renovation Hard Cost Subtotal (\$250/SF)	\$ 25,200,000
Soft Costs (20%)	\$ 5,040,000
Total Project Cost	\$ 30,240,000



Renovation Preliminary Cost Opinion — FCB

Renovation of Fiscal Court Building (109,550 SF)	
Hazmat Abatement (unknown)	\$ 100,000
Architectural	\$ 15,819,500
Masonry (replacement)	\$ 3,250,000
Structural	\$ 750,000
MEP/FP/IT	\$ 6,968,000
Site Civil	\$ 500,000
Renovation Hard Cost Subtotal (\$250/SF)	\$ 27,387,500
Soft Costs (20%)	\$ 5,477,000
Total Project Cost	\$ 32,865,000

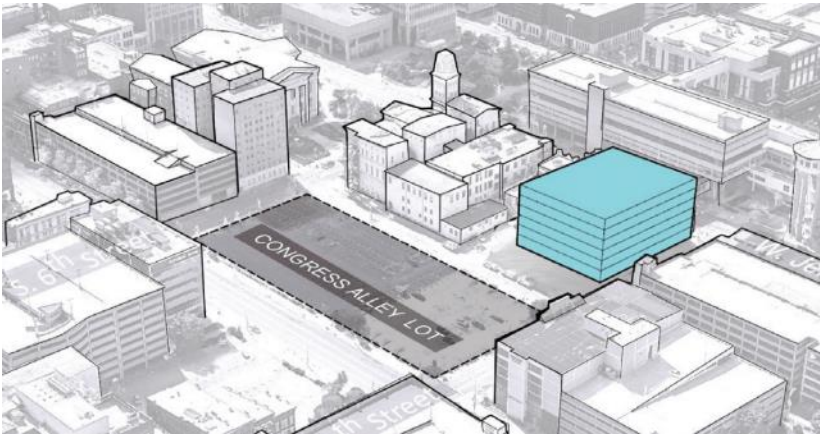
Note: A 10% contingency is included in the anticipated cost opinions.



PRELIMINARY COST OPINION – NEW CONSTRUCTION

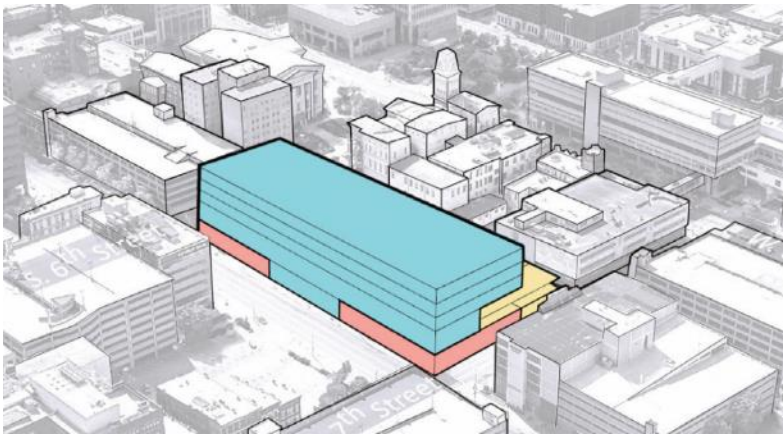
New Building Preliminary Cost Opinion (115,690 GSF)

New Government Center (115,690 GSF)	
Government Office	\$ 20,900,000
Soft Costs (20%)	\$ 4,100,000
Subtotal Cost	\$ 25,000,000
Contingency (10%)	\$ 2,500,000
Total Anticipated Cost	\$ 27,500,000



New Building Preliminary Cost Opinion (227,000 SF)

New Government Center (227,000 SF)	
Ground Floor Commercial	\$ 4,050,000
Government Office	\$ 36,000,000
Construction Hard Cost Subtotal (\$180/SF)	\$ 40,050,000
Soft Costs (20%)	\$ 8,010,000
Subtotal Cost	\$ 48,060,000
Contingency (10%)	\$ 4,806,000
Total Anticipated Cost	\$ 52,866,000

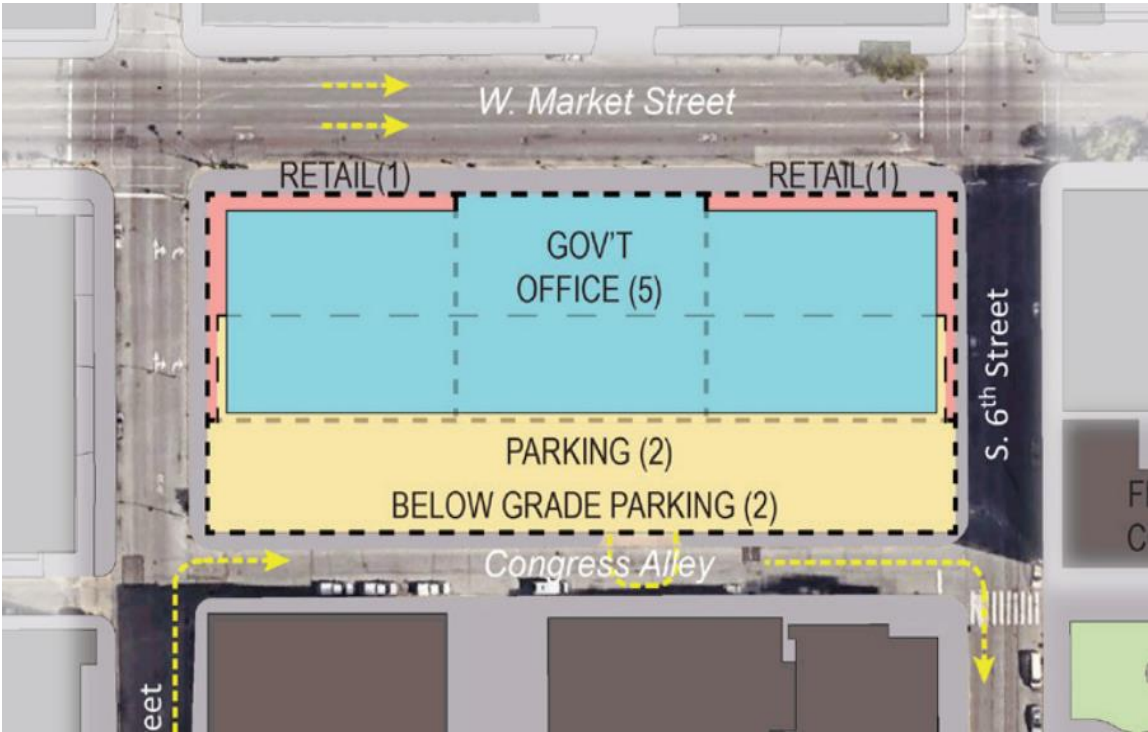
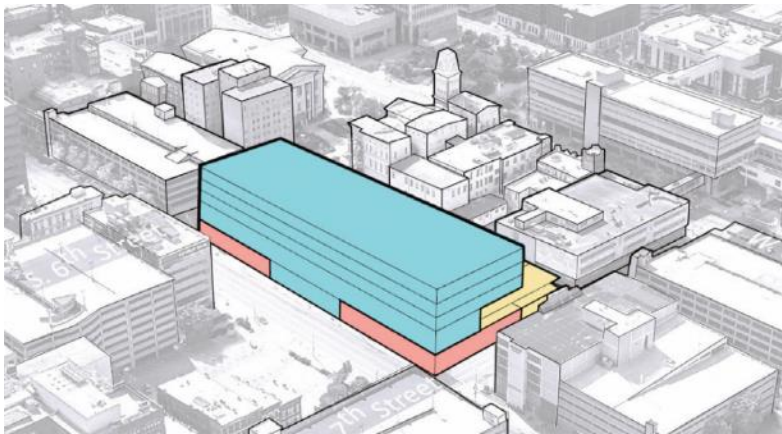


Note: A 10% contingency is included in the anticipated cost opinions.

PRELIMINARY COST OPINION – PARKING

New Parking Structure Preliminary Cost Opinion

New Parking Structure at 600 Spaces	
Below Grade (286 spaces at \$40K/space)	\$ 11,440,000
Above Grade (314 spaces at \$20K/space)	\$ 6,280,000
Construction Hard Cost Subtotal	\$ 17,720,000
Soft Costs (15%)	\$ 2,658,000
Subtotal Cost	\$ 20,378,000
Contingency (10%)	\$ 2,037,800
Total Anticipated Cost	\$ 22,415,800



Note: A 10% contingency is included in the anticipated cost opinions.